

1998: Helping Small Business Succeed into the 21st Century

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1998: Helping Small Business Succeed—into the 21st Century

“Pound for pound, the SBA does more to help Americans get into the winner’s circle of this new economy. I believe we must use today’s prosperity to expand that winner’s circle and open the doors of opportunity wider than they’ve ever been opened before. That’s the SBA’s mission, and it is a mission it performs admirably.”

--Vice President Al Gore in
New Hampshire, July 1998

Introduction

1998 was a year in which SBA helped record numbers of Americans start, run, and grow their small businesses and prepare for success into the 21st century.

In America today, small business is thriving in the strongest economy in a generation. The federal budget is balanced, inflation is low, and unemployment is at its lowest peacetime rate since 1957. In addition, the Clinton-Gore Administration has been extraordinarily responsive to the needs of small business, and has taken action on the vast majority of the recommendations of the 1995 White House Conference on Small Business.

SBA had another record year in lending in 1998, guaranteeing nearly \$11 billion in loans to America’s small businesses. SBA found exciting and innovative new ways to link small businesses with investors, financial assistance, and federal contracting opportunities. Entrepreneurs all over America took advantage of SBA’s financial assistance, counseling, technical advice, and business development programs in record numbers.

SBA Administrator Aida Alvarez focused the agency’s efforts on opening doors of economic opportunity for all Americans, and modernizing and strengthening the SBA for the 21st century.

SBA’s “New Markets” outreach initiative recognizes that the face of America is changing. By the year 2050—just a little over 50 years from now—there will be no single majority in this country. Minority and women-owned businesses are the fastest growing segments of the small business community. At the same time, America’s rural areas and inner cities are rich in untapped potential. A recent study estimates that inner city retail buying power is about \$100 billion a year—28 percent more than Mexico’s entire \$78 billion consumer market.

So, providing these diverse new entrepreneurs with the resources they need to start and grow their small business makes good business sense. Spurring investment in our urban areas and depressed rural areas is the right thing to do, and it will make the entire country stronger.

SBA Administrator Aida Alvarez has led the outreach to these new markets by forging partnership agreements with dozens of civic and community organizations—such as the NAACP and the U.S. Hispanic Chamber of Commerce. More than 18 national partnership agreements were signed by the end of 1998, and in early 1999, SBA joined with close to three dozen new national partners. Hundreds of similar partnership agreements have been signed on the local level.

Consistent with the Administration's efforts to reinvent government, SBA delivered its services in increasingly efficient, customer-friendly ways, and used new technologies and streamlined services.

In 1998, SBA pioneered new and easier ways to use SBA services, cutting paperwork and saving time for small business owners. To make it easier for traditional lenders to make smaller loans, SBA revamped the SBA*LowDoc* Program, increasing the amount that can be approved under that program and announced SBA*Express*, a revamping of the agency's successful FA\$TRAK Program. These changes make it easier for small businesses to find those hard-to-get smaller-sized loans.

In the area of electronic commerce, SBA linked small firms with investors, government contractors, and all manner of helpful information via the Internet. Today, Americans interested in small business can get SBA help around the clock, in any corner of the globe, with just the click of a mouse. In 1998, we launched an interactive online women's business center, along with advances in business services such as PRO-Net, ACE-Net, U.S. Business Advisor, and SCORE online. Together, these services and SBA's comprehensive Web site at www.sba.gov ensure that people everywhere can access help from SBA anytime, anywhere.

SBA is on the cutting edge when it comes to agency modernization. SBA was the first federal agency to have its mission critical systems renovated and ready for the stroke of midnight January 1, 2000. SBA also made great strides in helping small firms get "Y2K OK." We were also the first federal agency to get an "unqualified opinion" or clean bill of health for our accounting systems and the first to embark on a state-of-art management control system known as "COSO."

A major challenge for small business in the 21st century will be to try to expand their markets beyond U.S. borders. SBA is helping small firms "go global" in many ways. In December, Administrator Alvarez led a successful trade mission to Ireland, and similar missions to Mexico and Canada are planned for 1999.

SBA's efforts create great success stories every day. Some of America's most successful corporations got help from SBA when they were struggling young companies. Today's small business could be tomorrow's Intel, Apple, Federal Express, America-On-Line, Callaway Golf, or Ben & Jerry's – all SBA success stories. Or it could just be the best mom-and-pop shop on your local Main Street.

Opening Doors of Economic Opportunity

“Because SBA can open doors of economic opportunity, I believe we should do more to ensure that our programs are serving a broad cross-section of the American population.”

SBA Administrator Aida Alvarez

In 1998, Administrator Alvarez helped open doors of economic opportunity for all Americans in a series of outreach initiatives designed to increase SBA assistance to those who have traditionally had less access to SBA programs and services.

The fastest growth in the small business sector of the U.S. economy comes from minority and women-owned businesses. Administrator Alvarez has made a strategic commitment to encourage and sustain this growth, with a national “New Markets Initiative.” SBA forged dozens of partnerships with leading civic and community organizations, including the NAACP, the U.S. Hispanic Chamber of Commerce, and National Association of Women Business Owners, to provide information and resources to their constituents.

SBA is building on a solid record of creating opportunities for success for all Americans.

- SBA assistance to New Markets has increased significantly under the Clinton/Gore Administration. SBA has already doubled its lending to African-Americans and Hispanic-Americans while tripling its lending to women.
- SBA guaranteed more than \$2.7 billion in loans to minorities in FY98.
- SBA’s 1-800-U-ASK-SBA tollfree hotline is available to small business callers in Spanish and all of SBA’s major publications for the small business community are available in Spanish.
- The growth of women-owned small businesses in the last decade is dramatic. The number of women-owned businesses grew by 46 percent from 1987 to 1997. And over 23 million employees work for women-owned firms, a 262 percent increase from 1987 to 1997. To assist these women-owned ventures, SBA guaranteed loans totaling more than \$1.8 billion in FY98.
- SBA’s new On-Line Women’s Business Center was launched with the help of Vice President Al Gore in January 1998. This free, Internet-based service provides tens of thousands of women with training and information they can access no matter where they live. The award winning Web site (www.onlinewbc.org) received over 2 million hits in 1998.
- SBA opened six new Women’s Business Centers in 1998. SBA now has a network of 70 centers around the country, and a goal of one for every state.

- The Women's Business Centers served 7,931 clients, an increase of 3,242 over the previous year, and more than double the number of clients served in 1996.
- Women's Network Entrepreneurial Training (WNET) mentoring roundtables increased from 85 to 116, exceeding the goal of 100 for 1998. SBA's Office of Women's Business Ownership also produced and distributed manuals describing how to start a mentoring group.
- SBA significantly increased and improved outreach to women-owned high technology firms. In cooperation with the Office of Women's Business Ownership, the SBA's Office of Technology prepared and issued a detailed guidebook to help women establish and grow high-technology businesses.
- SBA Administrator Aida Alvarez signed 11 partnership agreements in 1998 with leading national women's business organizations to reach and assist even more women entrepreneurs.
- In October, the National Women's Summit '98 brought together more than 500 business leaders to develop a series of recommendations to help women business owners get the capital and resources they need. During the two-day conference, attendees worked on plans focusing on four core initiatives: financing business growth, market opportunities, training, and leadership and advocacy.
- 1998 was a good year for SBA lending to small firms owned by veterans: \$1.37 billion. More than 36,000 veterans received counseling from SBA and over 39,000 participated in training programs provided by our resource partners. Loans to veterans have nearly doubled since 1992.

The New SBA: A Leading Edge 21st Century Financial Institution

SBA Administrator Aida Alvarez' top priorities during her tenure have been to open doors of economic opportunity for all Americans, and to transform SBA into a 21st century leading-edge institution. In the two years since she took office, SBA has taken major steps to modernize and strengthen itself for the 21st century.

Re-Inventing SBA: Consistent with the Administration's efforts to reinvent government, SBA has pioneered new and easier ways to use SBA services, cutting paperwork and saving time for small business owners, and making it more attractive for lenders to provide capital to the small business community.

- In 1998, for example, SBA revamped the *LowDoc* and *SBAExpress* (formerly *FA\$TRAK*) Programs. These smaller-sized loans feature little paperwork, fast turnaround, and revolving credit.
- In the area of electronic commerce, SBA linked small firms with equity investors, government contractors, and all manner of helpful information via the Internet. Today, Americans interested in small business can get SBA help around the clock, in any corner of the globe, with just the click of a mouse.

The Best in the Business: For the second year in a row, SBA received a clean opinion on its financial statements from an independent accounting firm. SBA was the first federal credit agency to receive a clean opinion.

- SBA was the first federal agency to have its mission critical systems renovated to be "Y2K OK." SBA also launched a comprehensive public education campaign to help small businesses ensure that they are also "Y2K OK."
- SBA is the first federal agency to tackle the "COSO" process, named after the Committee of Sponsoring Organizations of the Treadway Commission. The "COSO" process is the state-of-the-art in internal controls and has been implemented by many major banks.

Safety & Soundness: SBA has made a solid commitment to ensure the safety and soundness of its portfolio.

- SBA was created to fill in the gaps in the private marketplace. Even though our loans reach those small businesses not well served in the commercial marketplace, our overall loss rate of 1 to 2 percent compares well with the commercial banking industry.
- Today, we manage a portfolio of nearly \$40 billion, with over 491,000 loans.

- There is a hearty demand for our products. In each of the last two fiscal years, SBA guaranteed nearly \$11 billion in loans to small businesses.
- The quality of our portfolio is also very high. The agency's "purchase rate" — when banks request the payment of our guarantee — is very low. Over a two-year period (FY96-98) purchases have dropped nearly 16 percent.

Lender Oversight: As the Agency has given greater authority to its lending partners, it has been necessary to put more focus on lender oversight. Today, we rely on the credit decisions of our lending partners for about 75 percent of our portfolio.

In the past, SBA performed lender oversight during the processing of a loan on a loan-by-loan basis, replicating each lender's credit review of a loan before it gave an SBA guarantee. Today, in most cases, SBA relies on its lenders for loan underwriting and portfolio management. Loans processed through SBA's Preferred Lender Program (PLP) have risen from 14 percent of SBA dollar volume in FY93 to 55 percent today. In fact, in the first quarter of FY99, 75 percent of the total loans (9,479, worth \$2.2 billion) approved by SBA were processed under the PLP, and the SBAExpress and SBALowDoc Programs, all of which give lenders greater responsibility for loan underwriting.

SBA has taken major steps to improve its lender and program oversight functions. These steps include:

Lending Programs

- We have established a Risk Management Committee comprised of officials throughout the agency that meets monthly to assess the agency's loan risks and design strategies for assuring program soundness.
- We have fully implemented a comprehensive program for reviewing PLP lenders. The first cycle of these reviews will be completed in March 1999. With the cycle near completion, we've found a very high level of soundness and few areas that require improved lender performance.
- We have designed and implemented an improved Small Business Lending Company (SBLC) oversight program to assure the safety and soundness of the 14 non-depository, non-regulated lenders who participate in SBA's 7(a) loan program. The Farm Credit Administration is assisting us in our 1998/99 SBLC examination schedule and the first cycle of these on-site examinations will be completed by April 1999.
- We have established a lender oversight office, which will evaluate existing oversight regulations and propose new regulations as needed; monitor changes in the

accounting, banking, and financial industries; and monitor changes to existing finance programs to assess their risk potential and required oversight activity.

- We have centralized the processing of *LowDoc* applications in two locations to improve credit management and consistency, as well as to improve turn-around times for loan decisions.
- We have designed a new database to evaluate the portfolios of each Certified Development Company (CDC). The system can be used to identify those lenders who need on-site reviews.

Securitization regulations

- SBA developed a new final rule to govern the securitization of the unguaranteed portions of 7(a) loans. This final rule was published in the Federal Register in February 1999.
- This rule ties securitization to good lender performance and assures that the safety and soundness of the 7(a) program will be protected.
- Securitization improves capital liquidity for SBA's lending partners enabling them to make more loans to small businesses.

Investment Programs

- SBA introduced Just-In-Time Funding for the Small Business Investment Company (SBIC) Program in May 1998. This allows licensed SBICs who have outstanding commitments to request and receive funding on essentially 24-hour notice. This significantly reduces the interest carrying costs for the SBIC and enhances their overall profitability and willingness to invest in small businesses.
- We strengthened the SBIC examination process by adding additional personnel to handle increased workload. Additionally, the Investment Division has implemented an electronic reporting format that enables all exams to be filed and addressed electronically.

Subsidy Rates

- We have transformed the area of subsidy rate calculations from one of SBA's major vulnerabilities into one of its greatest success stories. In a recent draft of a GAO report that surveys the five major federal credit agencies, SBA is clearly shown to have the most achievements and the fewest problems of all the agencies. This was due to the establishment of a dedicated office within the OCFO to calculate subsidy rate estimates and to the investment of resources in staff and data support.

Modern In Every Way: SBA has also embarked on a multi-year, estimated \$40 million systems modernization program that will permit better data collection and analysis.

- The new loan accounting system will provide much more risk management data, and will provide a better tool for SBA to evaluate individual loan, individual lender and overall program performance.
- As part of the design of our new system, we are looking at what industry leaders are doing -- Freddie Mac, Fannie Mae, Nations Bank, FDIC, OMB and OCC -- and modeling our system on their best practices.
- The systems modernization project began in June 1998 and is scheduled for completion in May 2001. So far, Congress has provided \$16 million for the project.
- We are following the technology acquisition mandates of the Clinger-Cohen Act to ensure that our projects are implemented at acceptable costs, within reasonable time frames, and contribute to tangible improvements in mission performance.

Access to Capital: Another Record Year

One of the most important ways SBA helps small businesses succeed is access to capital. Small businesses need money to start, run, and grow. Banks have discovered small business is the engine that drives economic growth. The economy has been doing so well that many banks are now making loans themselves—smaller loans that in the past would have never been made without SBA backing. Many lenders have even modeled new small business loan products after ours. SBA's loan guarantees and links to venture capital often make the critical difference in turning a great idea into a thriving business.

“If more people knew about the SBA program, we'd see more entrepreneurial fireworks.”

George Slilaty, owner, Hansmann's Mill, Binghamton, NY

- SBA's major loan programs guaranteed \$10.8 billion to small businesses in FY98—SBA's second highest year ever.
- The SBA's 7 (a) loan approvals totaled \$9 billion. SBA's 504 Certified Development Company loans totaled \$1.8 billion. Total loans under both programs: 47,100.

SBA's Small Business Person of the Year for 1998, Ohio's Ross O. Youngs, founded his company 10 years ago after developing a lighter, cheaper and more environmentally friendly product for displaying and storing compact discs. His firm, Univenture, Inc., grew from two SBA-guaranteed loans to a \$15 million small business employing 119 people.

- In September 1998, SBA revamped two of its most popular finance programs, the *LowDoc* Program and *SBAExpress* (formerly *FA\$TRAK*), increasing the amount that can be approved under each program to \$150,000. These improvements make smaller loans more accessible to the start-ups and “New Market” entrepreneurs who need them by streamlining the process and simplifying the amount of paperwork.
- SBA's ACE-Net, an Internet based information system used by accredited investors to identify firms needing equity investment, reached an important milestone in 1998. More than half of the states adopted the ACE-Net model, taking the system closer to a national market for equity investments.
- SBA licensed 31 new Small Business Investment Companies (SBICs) in FY98. Most notable was the creation of two women-managed SBICs. A private study found that only 2 percent of \$33 billion in venture capital investments currently goes to women-owned firms. The two new women-managed SBICs—one in Nashville, TN and one in Washington, D.C.—will target women's venture capital needs.
- SBA licensed its first Hispanic SBIC in December. The firm is called Capital Investments and is located in Miami, Florida.

- SBICs financed a record \$3.2 billion in 3,456 small business investments, 90 percent of which were equity oriented.
- FY98 brought good news for SBA's Microloan Program. Microloans are small loans up to \$25,000 for start-up businesses coupled with intensive technical assistance. Often, Microborrowers are women, particularly lower income women who can't otherwise get financial assistance. SBA's program recorded 1,091 loans amounting to more than \$11 million this year. Since the program began in 1992, its non-profit lenders have made more than 7,700 Microloans totaling \$78 million. Each Microloan creates or retains about 1.6 jobs.
- SBA guaranteed 10,445 bid bonds in FY98, providing contractors an opportunity to bid on contracts with an estimated value of \$2.3 billion, and guaranteed 2,860 final bonds with a contract value of \$531 million.
- In FY98, more than \$1 billion was awarded to small high technology businesses under the Small Business Innovation Research (SBIR) Program.
- SBA developed a model program for states to establish economic development organizations that support the Federal SBIR program with funding, management assistance, and other services to small technology firms.
- In FY99, SBA will implement a \$1 million grant program to stimulate participation of rural small high technology firms in the SBIR.
- In FY98, SBA launched a franchise Registry to expedite the processing of SBA guaranteed loans to franchisees.

Entrepreneurial Development

SBA provides counseling, training, and technical assistance to America's small businesses through a national network of SBA offices and SBA resource partners. The network includes: 69 district offices; 1000 Small Business Development Centers; 54 Business Information Centers; 70 Women's Business Development Centers; 20 Export Assistance Centers; 17 Tribal Business Information Centers; 15 One-Stop Capital Shops; and 12,400 SCORE volunteers – retired executives who work as small business counselors.

- In FY98, SBA opened its 15th One-Stop Capital Shop in Houston, TX. One-Stop Capital Shops served over 40,000 clients in 1998, an increase of over 50 percent. SBA committed to open 20 new Shops through FY2000 as part of the President's Empowerment Zone Initiative.
- SBA's 24-hour toll-free Answer Desk (1-800-U-ASK-SBA) answered its one millionth telephone call in July. The toll-free number connects customers with live business counselors. The Answer Desk took nearly 200,000 calls in FY98, hitting a record for a single week in November 1998 with more than 10,000 calls.
- SBA's Small Business Development Centers (SBDCs) served nearly 550,000 small business clients in 1998. With the help of the SBDCs, these small businesses created 56,000 jobs and generated \$5.5 billion in sales which, in turn, generated more than \$340 million in taxes.
- SBA developed and is implementing the Small Business Classroom, a virtual classroom. An on-line systems resource for training and informing entrepreneurs and other students of enterprise, it is designed to educate and provide interactive business guidance on a variety of topics to many types of students, anytime and anywhere. Courses in the Small Business Classroom are offered in both English and Spanish. Initial courses offered include: The Business Plan; Are You Y2K OK?; How to Raise Capital for Small Business; and How to Start a Small Business.
- SBA developed a Disabilities Initiative to assist people with disabilities to consider entrepreneurial opportunities and succeed in a business venture. The initiative also focuses on making SBA programs and services fully accessible to people with disabilities.
- SBA provided nearly 120,000 small business owners with help to access the latest technology to start, build, and grow their business through its Business Information Centers. Twelve new Business Information Centers were opened in 1998.
- Celebrating its 35th anniversary in 1999, SCORE has provided free and confidential business counseling to nearly 4 million Americans. SCORE (Service Corps of Retired Executives) volunteers provide new and growing small businesses with business

mentoring. In 1998, SCORE's team of 12,400 volunteers donated more than 1 million hours to aid small businesses.

- SCORE now offers e-mail counseling through its Web site (www.score.org), providing assistance via email to nearly 30,000 businesses a year. In 1998, the SCORE Web site garnered 8.1 million hits.
- The Internet is opening new markets to SCORE and helping SCORE expand its outreach into areas traditionally not serviced by its 389 chapter offices. Since 1996, SCORE counseling and training outreach has grown 15 percent. In 1998, SCORE provided more than 350,000 small business counseling and training sessions, with over 5,000 separate specialty workshops.
- SBA's Tribal Business Information Centers (TBICs) provided business development services to nearly 3,200 clients, totaling 5,320 hours of business counseling. TBICs held approximately 218 workshops, and assisted in the completion of approximately 183 business plans and 123 loan packages. TBICs also were instrumental in the startup of nearly 180 businesses.
- SBA launched a new pilot program of Business Coaches to pair experienced small business owners with new business owners. Nine SBA district offices are now participating in the program.

Government Contracting Opportunities & 8(a) Business Development

Small business should get a bigger piece of the federal contracting pie in coming years, thanks to SBA's efforts in 1998. SBA worked energetically this year to ensure that small businesses are able to compete on a level playing field, and that small disadvantaged businesses have the opportunity to get into the game.

- FY98 marked the 30th year of the SBA's 8(a) Minority Enterprise Development Program. During 1998, a total of 6,000 businesses participated in the 8(a) program in FY98, and won \$5.9 billion in federal contracts.

"It's an incubator program to tap resources like me. The 8(a) program is like being accepted into an Ivy League school. You don't go in there and they spoon-feed you. You have to prove it to them, because the SBA's name is on the line, that you will make it."

*Sarian Bouma
Owner, ServiceMaster
Washington, DC*

- SBA strengthened and improved the 8(a) minority business development program. New rules created a mentor protégé program for 8(a) graduates to assist newer firms, and made it easier for small firms to form affiliations to compete for larger contracts.
- In 1998, SBA continued efforts to cut the time it takes to process an 8(a) application. It has dropped from 208 days to 49.
- 1998 brought a concerted effort to increase federal procurement opportunities for women-owned small businesses. SBA's goal is to increase women's share from around 2 percent of federal procurement to 5 percent.
- SBA has initiated partnership agreements with nine federal departments to work toward the goal. Under the agreements, each agency is expected to adopt innovative ways to increase the number of women bidding on and winning government contracts. As a first step, each agency plans to appoint a Women's Business Advocate to serve as a direct liaison with the women-owned business community.
- In June 1998, the final rule was published for HUBZones which provides federal contracting assistance to small businesses located in "historically underutilized business zones" — a community-based federal contracting and job creation program. On the Internet, SBA has designed a Web site which allows firms to type in their address and receive an immediate answer as to whether they are located in a HUBZone. The Web site, www.sba.gov/hubzones, now gets 15,400 hits a week.
- SBA will begin accepting applications for the program in March and we expect contracting opportunities to be available later this year.

- In August, SBA opened the Office of Small Disadvantaged Business (SDB) Certification and Eligibility. Under the rules now governing all federal programs for disadvantaged businesses, SBA must certify those businesses as eligible to participate in programs to promote the use of SDBs. The primary benefits include a price evaluation adjustment of up to 10 percent for SDBs bidding on prime contracts and monetary incentives to encourage prime contractors to use SDBs as subcontractors.
- To ensure that existing SDBs and those firms wishing to be certified as an SDB know about these changes, SBA has started a 13-city tour to explain the program and its benefits.
- 1998 was an outstanding year in which SBA encouraged small businesses to form strong partnerships with corporate America. In February, SBA signed an agreement with the nation's Big Three Automakers to increase their purchase from minority-owned businesses by \$3 billion over the next three years. The agreement was signed at the White House with Vice President Gore.
- In December, SBA signed a major subcontracting agreement totaling nearly \$2 billion with Bell Atlantic Corporation. The East Coast telecommunications giant made a commitment to work with SBA to help small disadvantaged businesses become subcontractors in the growing telecommunications industry.
- SBA's Office of Government Contracting and Minority Enterprise Development has established PRO-Net, the Procurement and Marketing Access Network. PRO-Net is a nationwide database that provides profiles of small firms for government contracting officers and prime contractors seeking partners or subcontractors. This on-line program is important because many small businesses get their start as federal contractors. PRO-Net now receives 209,000 hits per week.
- SBA has joined the Treasury Department to administer a new mentoring program started by Vice President Gore, called BusinessLinc. Through this program, large and mid-size companies will provide mentoring and technical assistance to small disadvantaged businesses in their communities.
- In September, SBA established a pilot program to help small firms with fewer than 15 employees (and with average annual receipts that don't exceed \$1 million) win federal contracts under \$50,000. Under the program, contracts between \$2,500 and \$50,000—to be performed in one of the 10 geographical areas included in the pilot—will be set aside for very small firms.
- SBA's partnership agreements with 18 prominent business and civic groups, including the NAACP, the National Black Chamber of Commerce, US Hispanic Chamber of Commerce, and the Minority Business Enterprise Legal Defense Education Fund are designed to reach out to inform potential small business contractors about government

contracting opportunities. At the local level, SBA has more than 200 parallel agreements.

The Voice of Small Business

SBA serves as the voice of small business when national economic policy is being developed, and that voice was heard loud and clear in 1998.

By making the SBA Administrator a member of his Cabinet and a member of his National Economic Council, President Clinton sent small business across America a strong signal that they would be at the table when decisions are made at the highest levels of government. Small business has benefited significantly, with less red tape and paperwork, a fairer regulatory environment, and a government that works better with less.

- SBA executed a highly visible education campaign to help small businesses learn more about Y2K and how to address the problem. “Y2K Action Week” was a gigantic success. Full-page newspaper ads reached 30 million readers. Y2K posters were displayed in post offices across the country. Over 500 events were held across the country and 6.5 million pieces of mail containing helpful materials were delivered.
- SBA’s Regulatory Fairness (REGFAIR) Program gives small businesses a voice in federal regulatory enforcement. So far, more than 200 small businesses have filed a comment, and almost 250 small businesses have testified in public hearings. The information obtained from these sources will be used to evaluate federal agencies and will be included in the second report to Congress due in February 1999.
- The RegFair Program has a toll free number (1-888-REG-FAIR) and an Internet site (www.sba.gov/regfair) so small business owners can obtain information, forms, and comment on government enforcement actions. The RegFair Website has been visited by over 150,000 small businesses, and the toll-free line has answered 2800 inquiries.
- In 1998, the SBA Office of Advocacy published over 20 economic research and statistical reports on the value of small businesses and impact of policies on them. The annual editions of Advocacy staples were released, including: *Characteristics of Small Business*, *The State of Small Business 1998*, *Small Business Lending in the U.S.*, *Small Business State Profiles*, the *Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act*, the *White House Conference on Small Business Report*, and *Economic Indicators*.
- The Office of Advocacy broke new ground in 1998 by publishing: *Women in Business*, *Small-Farm-Friendly Banks*, *Mergers and Acquisitions*, *an Analysis of the Distribution of SBIR Awards by State, 1993-1996*, *Small Business Exporting*, and *The New American Evolution: The Role and Impact of Small Firms*.
- SBA is the leader in the effort to require federal agencies to use plain English in all communications with the public, including regulations.

- SBA has already rewritten all of its regulations and nearly all of its standard operating procedures in plain English.
- *Vision 2000: The States and Small Business Conference* was a hugely successful event bringing 300 small business leaders and state government officials together from throughout the country. The two-day event was held in December in Washington, D.C. The program highlighted significant state and local initiatives and other programs all designed to help small firms succeed. A description of over 60 Vision 2000 award-winning state and local programs advancing small businesses are described in the Office of Advocacy's report *Models of Excellence*.

Helping Small Business “Go Global”

Small businesses face special challenges and have unique opportunities in the international marketplace. SBA has partnered with other government agencies such as the U.S. Department of Commerce in order to help those small firms who wish to reach out to markets beyond American borders.

- SBA continues to participate in the success of the 19 U.S. Export Assistance Centers (USEACs), co-locating international trade finance specialists with the domestic field staff of the Department of Commerce and the Export-Import Bank. These specialists deliver the Export Working Capital Program within their USEAC regions. Despite the financial crises around the globe and their profound effect on U.S. small business exporters, there were \$160 million in SBA loan guarantees under this program in FY98, about a 3 percent increase over FY97.
- In addition, USEACs introduced a new-to-export program called the Export Trade Assistance Partnership (E-TAP), a public/private partnership, which takes a new-to-export company from A to Z in export help. In 1998, this program helped over 125 companies become export ready.
- SBA Administrator Alvarez completed a highly successful trade mission to Ireland in November 1998 with two dozen U.S. small businesses which could lead to millions of dollars in business deals for American firms.

“Coming to Dublin has been one of the best business decisions I have ever made. Every time I meet with an Irish small businessperson, I mention my participation in the SBA trade mission to Ireland led by Administrator Aida Alvarez. In the first two days of meeting with Irish small business owners, I signed three business deals worth over six million dollars.”

Dr. Sheree Wen, President of WEN Technology Corporation

- Development of SBA *Export Express* was completed in 1998. *Export Express* is a new tool to enhance the ability of commercial lenders to reach more small businesses with short-term working capital for exports. This new tool will allow lenders, particularly those without “in-house” international trade expertise, to assess the international risk of an export transaction—utilizing SBA’s 90 percent guarantee under the Export Working Capital Program. The new tool should be available in FY 99 and will be offered online through SBA’s Web site.
- SBA participated with the U.S. Government delegation to the Gore-Mubarak meeting in Cairo, Egypt (May 1998) and assisted U.S. Agency for International Development in signing a partnership agreement with the Government of Egypt to provide technical assistance to develop Egypt’s small business sector.

- In April 1998, SBA Administrator Alvarez traveled to the Summit of the Americas. While away, Administrator Alvarez signed partnership agreements with the Governments of Argentina and Mexico to promote American small business opportunities in these countries.

Helping Families and Businesses Recover from Disaster

As fiscal year 1998 was ending, a powerful hurricane named Georges was steadily building strength in the Caribbean. When it finally made landfall in Puerto Rico, on September 21, Hurricane Georges pummeled the island, destroying more than 50,000 homes, and causing billions of dollars in damages to the island. Within the following days Hurricane Georges struck parts of the U.S. Virgin Islands; Key West, Florida; Mobile, Alabama; Biloxi, Mississippi and Baton Rouge, Louisiana.

Disaster loans were processed quickly, and disaster victims soon had the funds to rebuild their homes and businesses thanks to the dedicated and selfless efforts of the SBA disaster field employees. They worked 10-hour days without a day off for weeks, in adverse conditions, often spending holidays away from their families. As of January 25, 1999, 217 SBA disaster employees were still working in the areas affected by Hurricane Georges. So far over \$290 million in disaster loans have been approved for victims of Hurricane Georges.

- SBA approved over 30,000 disaster loans for more than \$728 million in FY98.
- The scope and location of disasters varied greatly in 1998. They included the deadly typhoon Paka in Guam, ice storms in New Hampshire and heavy rains that led to flooding in California, caused by El Nino. SBA made disaster loans in 34 states, the Northern Mariana Islands in the South Pacific, the U.S. Virgin Islands and Puerto Rico.

“The SBA gave us a kick start, put us back in business and back in our homes. Without them, we would still be sitting in the rubble.”

Paul O'Malley
Business owner rebuilding after tornadoes
hit Natchez, Mississippi in March, 1998

- More than 80 percent of the loans—over 24,000—went to homeowners and renters.
- Over 5,700 SBA disaster loans went to business owners, helping to save more than 234,000 jobs.
- During FY98 SBA responded to a record 45 presidential disaster declarations. The number of SBA disaster declarations this year was 48—another record.

- SBA's goal is to process disaster loans to a decision within 21 days of receipt of the loan application. In most disasters the first loan checks are issued within seven days.

The Work Part of Welfare to Work

SBA is proud to play a leadership role in the President's welfare to work initiative. SBA is helping small businesses meet their workforce needs with work-ready individuals making the transition from welfare to work. In addition, SBA is providing another means to self-sufficiency for welfare clients through entrepreneurial training and technical assistance.

"I feel a definite responsibility to help those who are temporarily disenfranchised. It has definitely paid off. Not only are my two former welfare recipients enthusiastic and productive employees, they are both moving up in the organization and developing professional level skills by taking courses in data processing."

-Rena Burns, President and Founder of Automated Data Sciences/CADscan headquartered in Santa Monica

"More than 20 percent of my staff are former welfare recipients. These people are no different from anyone else, they want a decent job, I need good workers, and I've found that in them."

-Bill Neblett, Owner of KPJN/Burger King Franchise

- SBA's 69 district offices reached more than half of a three-year goal of 200,000 participants with a total of 103,460 commitments. This total represents both business commitment and entrepreneurial training to welfare to work individuals.
- SBA developed a welfare to work Web site (www.sba.gov/w2w) and a database for regional and district SBA offices to use to meet their welfare to work goals.
- 1998 saw the creation of a workforce development directory in conjunction with the U.S. Chamber of Commerce and the Welfare to Work Partnership. This directory highlights all of SBA's Entrepreneurial Development programs and resource partners.
- SBA produced a National satellite teleconference with Vice President Gore and the Coalition to Sustain Success. This conference was shown at more than 32 sites with approximately 2,000 participants.

Charting A Course for Small Business Success in the 21st Century

The men and women who start and run America's small businesses bring energy and dedication to their task every day. They are proud of what they do. Their business reflects their goals and ambitions. The President, Vice President, SBA Administrator Alvarez and the entire SBA team applaud their efforts and will continue to work vigorously to provide the environment and the tools small businesses need to prosper into the 21st century.